

Cost Containment and Cost Savings Strategies in Higher Education

A Presentation for the Innovation and Cost Containment Committee

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September 17, 2010

Introduction

- Rationale for efforts
- Methodology

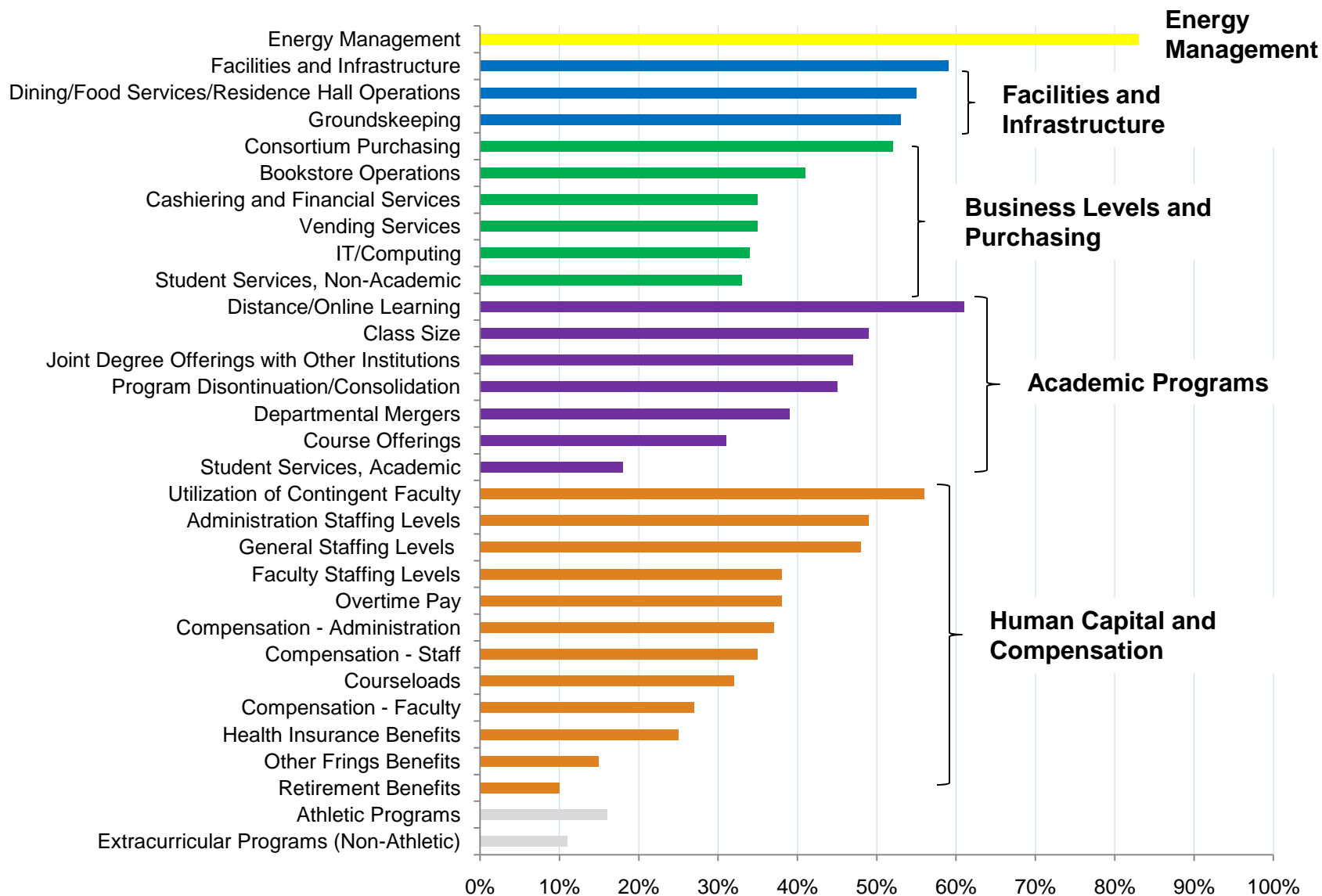
Cost Management Definitions

- Cost Containment
- Cost Savings
- Resource Alignment
- Innovation
- Revenue Enhancement

Broad Areas

- Energy Management
- Facilities and Infrastructure
- Business Services and Processes
- Human Capital and Compensation
- Academic Programs

Sources of Cost Containment: Extent to Which Institutions Rely on Individual Components for Cost Containment*



*Source: American Association of State Colleges and Universities and SunGard Higher Education. (2008). "Cost Containment : A Survey of Current Practices at America's State Colleges and Universities."

Energy Management

- Creating efficient energy systems and practices
 - University of Oregon
 - University of Washington
 - University of Illinois, Urbana-Champaign
 - Duke University

- Establishing efficient energy business processes
 - University of North Carolina

- Utilizing Energy Service Companies (ESCOs)
 - Virginia Tech

Facilities & Infrastructure

➤ Facilities Planning and Space Usage

❖ Year-round use

- Dartmouth's D-Plan
- California
- University of Virginia

❖ Peak and non-peak usage

- University of North Carolina
- University of Michigan

➤ Maintenance

❖ Privatization

- New Jersey

❖ Deferring Maintenance

➤ Capital Projects

❖ Increasing the approval thresholds

- Texas and Kentucky

❖ Holding/canceling projects

- Stanford

Business Services & Processes

➤ Purchasing

- ❖ Electronic systems
- ❖ Consolidated purchasing

➤ “Back-Room” Operations

➤ Information Technologies

- ❖ Centralize services
- ❖ Leverage capacity

➤ Discretionary Expenses

Business Services & Processes

➤ Student Service Operations

- ❖ Contracting out
- ❖ Changes in provision of services
 - University of Virginia
 - University of Michigan
- ❖ Electronic services
 - University of Washington

➤ Financial Management

- ❖ Comprehensive management
 - University of Virginia

Human Capital & Compensation

- Workforce Size and Composition
 - ❖ Hiring freezes, lay-offs, buy-outs of both full- and part-time employees
 - ❖ Furloughs
- Staffing in Administrative and Academic Support Levels
 - ❖ Increase span-of-control
- Workloads
 - ❖ Administrative responsibility
 - ❖ Faculty teaching loads

Human Capital & Compensation

➤ Alternative Labor Sources

- ❖ Hire faculty at junior level
- ❖ Employ emeriti faculty
- ❖ Employ adjunct faculty
- ❖ Use student labor

➤ Salary and Benefits Reduction

- ❖ Mandatory reductions
- ❖ Elimination of raises and bonuses
- ❖ Performance-based pay
- ❖ Review and adjust fringe benefit costs

Academic Programs

➤ Technology-Mediated Instruction

❖ Course Redesign

- Virginia Tech

❖ Expanded online course offerings

- Minnesota

➤ Program Reorganization

❖ Consolidation or elimination of low enrollment programs

- Pennsylvania
- University of Maine

Academic Programs

- Alternatives to Traditional, On-Campus Degree Completion
 - ❖ Off-campus requirements and opportunities
 - Texas
 - University of Maryland University College
- Library Systems
 - ❖ Shared resources across universities
 - Virginia
 - ❖ Shared facilities
 - Ohio

Emerging Innovations

- Create Partnerships (Public/Public, Public/Private, Public/Nonprofit)
 - ❖ Facilities
 - Georgia Tech
 - Arizona State University
 - ❖ Programs
 - Virginia Tech
- Expanded use of online and shared courses
- “No-frills” degree offerings
- Target students with credits but no degree
- Improve graduation rates and time-to-degree

Challenges

- Consider institutional uniqueness
- Match strategies to institutional mission and state goals
- Evaluate appropriateness of methods
- Ensure that adequate resources are in place
- Achieve support and ownership at multiple levels
- Costs of state mandates

Virginia's Environment

➤ Restructuring gives institutions varying levels of flexibility to manage:

- ❖ Procurement
- ❖ Capital projects
- ❖ Information Technologies
- ❖ Human Resources
- ❖ Finance
- ❖ Leasing

Items for Possible Consideration

- Evaluate ability to achieve goals through Restructuring
- Ensure proper accountability mechanisms
- Tie state-level goals to appropriate productivity measures
- Incentivize innovation
- Consider appropriateness of state mandates

Questions and Comments